

Message Text

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TAGS: ETRD, BTIO, BEXP, EEWT, IZ, UR
SUBJECT: US-SOVIET COMMERCIAL COOPERATION IN IRAQ

REF: BAGHDAD 660 (NOTAL)

1. SUMMARY: SOVIET EMBASSY OFFICIALS IN BAGHDAD HAVE REQUESTED USINT ASSISTANCE IN FACILITATING CONTACT WITH US SUPPLIERS OF ADVANCED OIL WELL DRILLING AND ELECTRICAL GENERATING EQUIPMENT. USINT RECOMMENDS FURTHER EXPLORATION OF POSSIBLE COMMERCIAL COOPERATION AND REQUESTS INFORMATION ON STRATEGIC TRADE CONTROL POLICIES CONCERNING SUCH EQUIPMENT. END SUMMARY.

2. IN RESPONSE TO REQUEST FROM SOVIET EMBASSY IN BAGHDAD, USINT COMMERCIAL OFFICER CALLED AT THE OFFICE OF THE COUNSELOR FOR ECONOMIC AFFAIRS TO DISCUSS POSSIBLE US-SOVIET COMMERCIAL COOPERATION IN IRAQ. VISIT RESULTED FROM CONTACT REPORTED INREFTEL.

3. COMMOFF MET WITH MR. DENNAEDI IVANOV, OF THE ECONOMIC SECTION, WHO ACTED AS INTERPRETER; ANATOLY
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ISKHAKOV, SENIOR ENGINEER WITH TECHNOEXPORT; AND ALEXANDER SAFRONOV, EXPERT OF THE OIL INDUSTRY SECTION OF THE EMBASSY. THE RUSSIANS ASKED ABOUT BROADENING COMMERCIAL CONTACTS WITH US MANUFACTURERS OF ADVANCED OIL WELL DRILLING AND LOGGING EQUIPMENT AND SUPPLIERS OF ELECTRICAL ENERGY GENERATING EQUIPMENT. THEY SAID THAT TECHNOEXPORT HAS RECENTLY PURCHASED EQUIPMENT FROM

POWELL INDUSTRIES OF HOUSTON AND THAT THE IRAQ NATIONAL OIL COMPANY (INOC) HAS ON SEVERAL OCCASIONS SPECIFIED US EQUIPMENT FOR PROJECTS BEING EXECUTED BY THE SOVIETS. THE MOST RECENT EXAMPLE WAS AN ORDER FOR GAS-OIL SEPARATORS AND DESULPHURIZATION EQUIPMENT. IN THIS CASE, IRAQI AUTHORITIES WAIVED ALL BOYCOTT REQUIREMENTS FOR THE EQUIPMENT, AS IS OFTEN THE CASE FOR HIGH-PRIORITY DEVELOPMENT PROJECTS. THE RUSSIANS HAVE EXPERIENCED DIFFICULTY IN CONTACTING APPROPRIATE US SUPPLIERS ON A TIMELY BASIS AND REQUESTED USINT ASSISTANCE IN FUTURE CONTACTS. THEY PROPOSE TO PURCHASE EQUIPMENT ON THEIR OWN ACCOUNT RATHER THAN HAVE IT PROCURED BY THE GOI. PAYMENT WOULD BE MADE IN DOLLARS.

4. USINT OFFICER EXPLAINED USDOC TRADE OPPORTUNITY REPORTING PROGRAMS WITH PARTICULAR REFERENCE TO TOPS AND FTI, AND OFFERED TO FACILITATE CONTACTS WITH APPROPRIATE SUPPLIERS. THE RUSSIANS HAVE AGREED TO FURNISH A LIST OF IMMEDIATE REQUIREMENTS FOR DRILLING EQUIPMENT AND HAVE ASKED THAT USINT REFER SUPPLIERS' REPRESENTATIVES TO THEIR OFFICE IN BAGHDAD.

5. COMMENT: IN SPITE OF THE TREATY OF FRIENDSHIP AND COOPERATION SIGNED IN 1972, THE SOVIETS FACE STIFF COMPETITION IN IRAQ FROM THE OECD COUNTRIES. SOVIET NON-MILITARY EXPORTS TO IRAQ ROSE FROM A 1972 FIGURE OF 61.6 LIMITED OFFICIAL USE

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BILLION RUBLES TO 372.9 MILLION IN 1976, BUT DROPPED BACK TO 198.3 MILLION IN 1977, ACCORDING TO NARODNY BANK FIGURES. IN SEPTEMBER, 1977, IRAQ AND THE USSR AGREED TO EXPAND THE SCOPE OF OIL INDUSTRY COOPERATION, BUT THE RUSSIANS REPORTEDLY HAVE BEEN CRITICIZED FOR THE POOR PRODUCTION RECORDS OF FIELDS THAT THEY DEVELOPED IN THE PAST. IRAQI INSISTENCE UPON US EQUIPMENT SUPPORTS THESE REPORTS AND IS PROBABLY THE MOTIVE FOR SOVIET INTEREST.

6. THE RUSSIANS ALSO HAVE OBTAINED A NUMBER OF CONTRACTS FOR ELECTRICAL ENERGY PROJECTS AND APPEAR TO BE FAVORED FOR SEVERAL PLANNED HYDRO-ELECTRIC SCHEMES. US EQUIPMENT WOULD CLEARLY FIT IN THESE PROJECTS.

7. TO FACILITATE A MORE DETAILED RESPONSE TO THE SOVIET REQUEST, USINT WOULD APPRECIATE RECEIVING READILY AVAILABLE INFORMATION ON US-SOVIET COMMERCIAL COOPERATION IN THIRD COUNTRIES. POST WOULD PARTICULARLY LIKE TO KNOW IF TECHNOEXPORT IS REPRESENTED IN THE SOVIET EMBASSIES IN WASHINGTON AND ATHENS.

8. LIST OF ITEMS REQUESTED BY SOVIETS WILL BE FORWARDED

AS SOON AS RECEIVED. POST WILL ALSO APPRECIATE DEPART-
MENT'S GUIDANCE ON STRATEGIC TRADE CONTROLS WHICH MAY BE
APPLICABLE TO THESE CATEGORIES OF EQUIPMENT.
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